



December 29, 2005

BY OVERNIGHT MAIL

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: Proposed Arrearage Management Program
D.T.E. 05-86

Dear Secretary Cottrell:

Enclosed on behalf of Fitchburg Gas and Electric Light Company d/b/a Unitil ("Unitil"), please find the original and ten (10) copies of Unitil's proposed Arrearage Management Program, in compliance with the Department of Telecommunications and Energy's ("Department") Order Opening Investigation issued in the above-referenced docket on December 1, 2005, and also in compliance with the request for information contained in the letter from the Department's General Counsel issued on November 8, 2005.

Also attached is a copy of Unitil's current "arrearage-forgiveness – credit counseling low-income pilot program" which was submitted as part of a settlement in D.T.E. 05-29 filed on April 4, 2005, and approved by the Department on May 4, 2005.

Please do not hesitate to contact me if you have any question concerning this filing.

Sincerely,


Gary Epler

Gary Epler
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cc: Elizabeth Cellucci, Senior Counsel
Joseph Rogers, Assistant Attorney General
Jerrold Oppenheim, Esq.

Unitil Proposed Arrearage Management Program

I. Goals of the Program

The Arrearage Management Program will offer customers of Fitchburg Gas and Electric Light Company d/b/a Unitil (“Unitil”), immediate relief to reduce their current and future energy burdens through flexible payment arrangements, arrears forgiveness, budget counseling services, and home weatherization and other energy efficiency initiatives. The program is intended to provide relief and education to income eligible customers that will ultimately result in the customer’s ability to better manage their electric and/or gas payments more effectively.

II. Program Description

This program will be designed to accommodate all residential gas and/or electric customers of Unitil, who are eligible for Unitil’s discount rate, with: (1) assistance in paying overdue electric bills (“assistance”); (2) the opportunity to participate in the Company’s energy efficiency program on a priority basis; and (3) budget counseling services (“counseling”). The program will be implemented by the fuel assistance program agencies (“Agencies” or “Agency”) in Unitil’s service area. Eligible customers will be offered a “current bill” or “level payment” payment arrangement of not less than four months and not to exceed three years. The necessity of a down payment to initiate the arrangement will be determined and, if required, will not exceed 25 percent of the balance. Assistance includes: (1) arrearage forgiveness of \$100 to \$600 per year per customer or other amounts mutually agreed to by the agencies and Unitil, to be paid in installments in a manner calculated to encourage regular payment patterns, as determined by the Agencies, in

consultation with Unitil as necessary; (2) reasonable payment plans negotiated (and renegotiated where that will provide a reasonable opportunity to complete a payment plan) with Unitil, over an extended period where a customer is willing and able to make a regular payment; (3) designation of a Unitil representative for negotiation of payment plans; and (4) immediate notice to the referring Agency when a customer misses a payment plan payment, and suspension of collection activity with respect to such a customer for a minimum of 30 days. Counseling includes Unitil training of the agencies to provide basic budget counseling to customers, the Agencies providing such basic budget counseling, and Unitil providing advanced budget counseling for those customers identified by an Agency as requiring such advanced budget counseling in order to successfully complete the program.

III. Eligibility Criteria

To be eligible, a customer must meet the following:

- Be a residential customer of record with Unitil.
- Have income at or below 200% of the federal poverty level.
- Must agree to participate in, at a minimum, the audit portion of a Unitil Energy Efficiency program.
- Must apply for and receive fuel assistance.
- Have arrearage of at least \$100 that is over sixty days in arrears.
- The customer's gas or electric service has not been disconnected for nonpayment.

- Has not been dropped from the Arrears Management Program in the past 12 months due to nonpayment.

IV. Implementation

The program will be implemented by the fuel assistance program Agencies in Unitil's service territory, to which Unitil will pay a fee, subject to the acceptance of the Agency.

Unitil's role includes the following:

- Work with Agencies to identify customers for the program.
- Refer customers to the Agencies for full participation in the program.
- Collaboration with Agencies to determine acceptable payment amounts and payment terms for the participants.
- Apply agreed upon arrears forgiveness credits toward the participant's balance on a monthly basis.
- Provide necessary annual training to Agency credit counselors which may include techniques, program objectives and requirements and energy efficiency program changes.
- Provide customer information and reports as required.
- Collaborate with Agency to develop necessary promotional materials.

The Agency's role includes the following:

- Assist program participants with negotiating acceptable payment amounts and terms, if necessary, with Unitil.
- Refer clients to appropriate Energy Efficiency education programs.

- Assist participants in managing their debt through appropriate budget counseling services.

Unitil also recognizes the value of collaborating with the Department of Transitional Assistance (DTA) to offer their clients the ability to use the DTA to make direct “guaranteed” payments to Unitil. Unitil will establish a “level payment” payment arrangement. The participant would authorize the DTA to make automatic payments to Unitil and the DTA would process all payments automatically to Unitil. This method ensures the customers remain on the program and receive the appropriate arrears forgiveness benefits each month.

V. Program Costs

Unitil proposes to handle the costs of implementation and operation of the program in accordance with standard regulatory and accounting practices with no special treatment. Costs of program operation including staff time, agency administrative participant costs and program delivery costs will be treated as operating expense, part of the company’s normal credit and collection activity. Any customer arrears that are forgiven under this program will be accounted for in the same manner as customer arrears that are written off in accordance with the company’s standard practices. For example, the gas commodity cost-related customer arrears bad debt will be collected and recovered on a reconciling basis through Unitil’s CGAC tariff. Similarly, Unitil also plans to seek recovery of electric commodity related bad debt as a component of default service costs. The non-commodity portion of bad debt would be treated as a base rate cost and included in the distribution cost of service

at the time of its next base rate proceeding, along with other program administrative costs.

VI. Current Arrearage Management Pilot Program

Unitil agreed to implement an arrearage management pilot program as part of a settlement agreement in D.T.E. 05-29. The pilot program was designed to accommodate 200 gas and/or electric customers. There are no customers enrolled into the program currently, due to Agency administrative budget issues. We anticipate these issues to be resolved by January 6, 2006 and customers will be enrolled into the pilot program on or shortly thereafter. The Pilot Program will be subsumed by the Arrearage Management Program once approved. At that time, to the extent that there may be conflicts between the terms of the Pilot Program and the Arrearage Management Program, the provisions of the new program shall govern.

VII. Budget Billing Plan

In addition to the proposed Arrearage Management Program, Unitil offers all non-delinquent customers an opportunity to participate in the budget billing plan. The budget billing plan, which runs from September through August of each year, is a levelized payment arrangement whereby the customer's charges are estimated based on historical, current and future usage and rate information, and billed on a monthly basis. Periodically throughout the budget season the budget amount is reviewed to ensure actual charges are keeping pace with actual usage. If the budget amount needs adjusting, the customer is notified in advance of the change. In August, at the

conclusion of the budget season, the actual charges versus the amount paid are reconciled. The Company has mailed letters to all non-delinquent residential customers, not currently enrolled in the budget billing plan, informing them of the opportunity to enroll in the budget billing plan, or to establish a regular payment arrangement. All letters were customized to include the calculated budget amount.



April 4, 2005

BY HAND DELIVERY

Mary L. Cottrell, Secretary
 Department of Telecommunications and Energy
 One South Station, 2nd Floor
 Boston, MA 02110

APPROVED	
DATE	March 24, 2005
[Signature]	
[Signature]	
[Signature]	
COMMISSIONERS, D.T.E.	

Re: Fitchburg Gas and Electric Light Company d/b/a Unitil
 Settlement Agreement

D.T.E. 05- 29

Dear Secretary Cottrell:

On behalf of Fitchburg Gas and Electric Light Company d/b/a Unitil ("Unitil" or "Company"), the Honorable Thomas F. Reilly, Attorney General ("Attorney General"), the Associated Industries of Massachusetts ("AIM") and The Low-income Weatherization and Fuel Assistance Program Network ("Network") (collectively "the Parties"), enclosed for filing with the Department of Telecommunications and Energy ("Department") is a proposed Settlement Agreement ("Agreement") and Joint Motion for Approval of Settlement Agreement ("Motion"). Under the terms of the proposed Agreement, the Parties have agreed to a rate path for Unitil by which the Company will phase-in increases to its Transition Charge in order to allow recovery of deferred restructuring costs, accumulated pursuant to its approved Restructuring Plan.

As of December 31, 2004, Unitil's Transition Charge balance was under-collected by approximately \$21.6 million.¹ In addition, Unitil has an under-collected balance in its Standard Offer Service ("SOS") Charge, Default Service ("DS") Charge and Standard Offer Service Fuel Adjustment ("SOSFA") of approximately \$5.9 million in total, also as of December 31, 2004. Pursuant to the terms of its Restructuring Plan, as modified and approved by the Department in D.T.E. 97-115/98-120, D.T.E. 99-110 and D.T.E. 01-103, Unitil may increase its Transition Charge to \$0.02420/kWh, effective March 1, 2005, an increase of \$0.01371 from its current level. In addition, Unitil may implement a \$0.00400/kWh surcharge on its Transition Charge for all customers to collect the SOS, DS and SOSFA deferred balances

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¹ Please see Unitil's November 23, 2004 Annual Electric Reconciliation Mechanism and Inflation Adjustment Filing, docketed as D.T.E. 04-108, for details regarding the under-collection balances.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY))))	D.T.E. 05-29
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WHEREAS, this Settlement Agreement is entered into by and among Fitchburg Gas and Electric Light Company d/b/a/ Unitil (“Unitil” or “Company”), the Office of the Attorney General, the Associated Industries of Massachusetts (“AIM”), and The Low-income Weatherization and Fuel Assistance Program Network (“Network”) (altogether, “the Parties”), with regard to the implementation of a retail rate plan (the “Rate Plan”) as a result of the completion of the term of Standard Offer Service (“SOS”). The Rate Plan is designed to provide for the moderation and stabilization of Unitil’s total retail rates during a time period when the legislatively mandated retail rate cap has been lifted and all the Company’s SOS customers have transitioned to Default Service (“DS”) for their electric energy requirements. See G.L. c.164§1B(e).

WHEREAS, the Company could have filed a request, consistent with the Restructuring Plan approved in D.P.U./D.T.E. 97-115, to increase its Transition Charge to \$0.02420/kWh effective March 1, 2005, an increase of \$0.01371 that along with other rate changes which occurred on March 1, 2005 would have resulted in significant rate impacts to the Company's SOS customers in the range of 13.7% to 22.0% on average.

WHEREAS, the Parties agree that there is a need to lessen the impact of potential Transition Charge increases and that smoothing of overall rates is in the best interests of the Company's customers.

WHEREAS, this Settlement is offered with the intent of mitigating the potential Transition Charge increases allowed under the Company's approved Restructuring Plan that could have become effective on March 1, 2005, and thus avoid an unnecessary, time consuming and costly proceeding.

NOW THEREFORE, in consideration of the exchange of promises and covenants hereinafter contained, the Parties hereby agree as follows:

Article 1 - Introduction

1.1 On November 23, 2004, Unitil filed proposed tariffs with the Department of Telecommunications and Energy ("Department") designed to implement its 2005 adjustable rate mechanisms and changes to its Standard Offer Service Fuel Adjustment ("SOSFA"), for effect on January 1, 2005. In that filing, docketed as D.T.E. 04-108, Unitil stated that it intended to make a subsequent filing for rates effective March 1, 2005, in recognition of the end of the SOS period and the lifting of the retail rate cap which, if unmitigated, may have allowed the Company to increase its Transition Charge from the current rate in effect of \$0.01049/kWh to the \$0.02420/kWh cap approved in the Company's original restructuring plan. The additional filing was intended to address a plan for continued recovery of Unitil's Transition Costs, including deferred Transition Charge balances, and its unrecovered SOS, SOSFA and DS deferral balances accrued under the rate cap. Unitil stated that its intent would be to mitigate rate impacts to its customers, while balancing the need to recover its Transition Costs and energy-related

deferral balances. As a result of settlement discussions among Unitil, the Office of the Attorney General and AIM, which resulted in the instant Settlement Agreement, the additional filing was not made by Unitil.

1.2 The Parties seek a moderate and stable rate path for Unitil which would avoid potentially large rate increases to Unitil's customers while establishing a reasonable schedule for the timing of rate changes for the continued recovery of Transition Costs and energy-related deferrals.

1.3 The Parties acknowledge and affirm the ongoing and reconciling nature of Unitil's adjustable electric rate mechanisms, and Unitil's rights to recover its approved costs, subject to such reconciliation and review by the Department. This Settlement Agreement is not intended to address the reconciliation of Unitil's Transition Costs and deferral balances to the extent such issues remain pending in Dockets D.T.E. 02-84, 03-115 and 04-108, and is not intended to have a precedential effect on those issues.

Article 2 – Terms of Agreement

2.1 In order to moderate and stabilize Unitil's rates during 2005 and thereafter, the Parties have agreed that Unitil shall be allowed to recover its Department approved Transition Costs, including deferred Transition Charge balances, its final SOS and SOSFA deferral balances, and its February 28, 2005 DS deferral balance according to the following schedule.

2.2 On March 1, 2005, all of Unitil's SOS customers at that time will have transitioned from SOS to DS. At the time of this transition, the Parties agreed that there would be no increase in the Transition Charge from the level in effect on January 1, 2005, nor would there be any changes to any other retail rate component billed by the

Company, other than the change to the DS rate for former SOS customers. As a result, the only rate changes experienced by Unitil's SOS customers on March 1, 2005, was the difference between the SOS rate and the DS rate on March 1, 2005. Residential SOS customers in the Residential RD-1 class experienced a total rate increase of 5.2 percent on average due solely to this transition from SOS to DS. Residential customers already on DS experienced no rate change on March 1, 2005. All other major classes of customers on SOS at the time of this transition experienced total rate impacts ranging from an average of -0.9 percent to 6.5 percent depending upon rate class, due solely to this transition from SOS to DS.

2.3 On June 1, 2005, new DS rates will become effective for all classes of customers. To the extent that the DS rate, including the costs allocated to DS in D.T.E. 02-24/25 (the Company's last base rate case) and D.T.E. 03-88D, for the Residential RD-1 class is reduced from that DS rate in effect on March 1, 2005, the Transition Charge for all customers shall be increased by the same amount up to a maximum Transition Charge of \$0.01735/kWh, such that, all other factors remaining equal, the Residential RD-1 class shall experience no total rate change. If, on June 1, 2005, the new DS rates, including the costs allocated to DS in D.T.E. 02-24/25 (the Company's last base rate case) and D.T.E. 03-88D, for Residential RD-1 stay the same as, or are increased from that in effect on March 1, 2005, the Transition Charge shall remain unchanged. On or about the same time it files for approval of new DS rates for effect on June 1, 2005, Unitil shall make a tariff compliance filing to effectuate any change to the Transition Charge as a result of this section.

2.4 The Company's Seabrook Amortization Surcharge (SAS) is projected to expire on or before October 1, 2005. Forty-five (45) days prior to its projected expiration, Unitil shall make a tariff compliance filing to end the surcharge. Any under- or over-recovery balance remaining once the surcharge ends shall be added to the Transition Charge deferral balance for review by the Department and reconciliation in the Company's next Transition Charge reconciliation filing.

2.5 At the time the SAS expires, the Transition Charge for all customers shall be increased by \$0.00819/kWh, as an offset to the expiration of the SAS, such that, all other factors remaining equal, the Residential RD-1 class shall experience no rate change. In no event shall the Transition Charge be greater than \$0.02420/kWh.

2.6 In order to mitigate the increase that would otherwise result at this time due to a more than offsetting increase in the Transition Charge of \$0.00819 against the expiration of a discounted SAS previously charged to the Residential RD-2 (low income) class, the Transition Charge for the Residential RD-2 (low income) class shall be discounted by \$0.00327/kWh, which is equal to the 40 percent SAS discount that this class currently receives.

2.7 All other factors remaining equal, for all other non-residential rate classes the increase in the Transition Charge of \$0.00819/kWh, offset by the expiration of the SAS for these classes, will result in relatively small decreases or increases.

2.8 On December 1, 2005, new DS rates will become effective for all classes of customers. To the extent that the DS rate for the Residential RD-1 class is reduced from that in effect since June 1, 2005, the Transition Charge for all customers shall be increased by one-half of the Residential RD-1 class DS Service decrease, however, in no

case shall the Transition Charge be greater than \$0.02420/kWh. If on December 1, 2005, the DS rates, including the costs allocated to DS in D.T.E. 02-24/25 (the Company's last base rate case) and D.T.E. 03-88D, for Residential RD-1 stay the same as, or are increased from that in effect on June 1, 2005, the Transition Charge shall remain unchanged. On or about the same time it files for approval of new DS rates for effect on December 1, 2005, Unitil shall make a tariff compliance filing to effectuate any change to the Transition Charge as a result of this section.

2.9 On or shortly after the SAS expires, the Parties to this agreement shall reconvene to discuss an implementation schedule by which the Transition Charge shall be allowed to increase to \$0.02420/kWh for all customers, the maximum provided under Unitil's Restructuring Plan, to the extent this rate has not been reached pursuant to the increases allowable in paragraphs 2.3 and 2.8, above.

2.10 In addition to the above schedule, to synchronize changes to Unitil's Transition Charge with anticipated changes in other rate components, Unitil shall defer the recovery of the final SOS and SOSFA deferral balances and February 28, 2005 DS deferral balances with interest, until January 1, 2010. Beginning January 1, 2010, Unitil will implement a \$0.00400/kWh surcharge on its Transition Charge for all customers to collect these balances. The surcharge shall remain in effect until the SOS and SOSFA and DS deferral balances are recovered. The interest on the monthly balance of these deferrals shall be equal to the prime rate after tax (i.e., $\text{prime} * (1 - \text{tax rate})$). The tax rate shall be the combined federal and state income tax rate. The prime rate is to be fixed on a quarterly basis and established as reported in THE WALL STREET JOURNAL on the

first business day of the month preceding the calendar quarter; if more than one rate is reported, the average of the reported rates shall be used.

2.11 The Parties agree that with acceptance of this Settlement by the Department, Unitil shall start an arrearage forgiveness – credit counseling low-income pilot program.

2.11.1 This pilot program will be designed to accommodate 200 gas and/or electric customers of Unitil who are eligible for Unitil's low-income efficiency program with assistance in paying overdue electric bills ("assistance"), the opportunity to participate in the Company's energy efficiency program on a priority basis, and budget counseling services ("counseling"). Unitil will track the individuals participating in the pilot in order to provide a basis for its estimates of costs and benefits, including historical comparative data, and will provide this information ("information") no less frequently than semi-annually to the Parties.

2.11.2 The program will be implemented by the fuel assistance program agencies ("agencies") in Unitil's service territory, which Unitil will pay \$50 for each program participant. Assistance includes: (1) arrearage forgiveness of \$100 to \$700 per customer (average \$300 per program participant) or other amounts mutually agreed to by the agencies and Unitil, to be paid in installments in a manner calculated to encourage regular payment patterns, as determined by the agencies, in consultation with Unitil as necessary; (2) reasonable payment plans negotiated (and renegotiated where that will provide a reasonable opportunity to complete a payment plan) with Unitil, including over an extended period where a customer is willing and able to make a regular payment; (3) designation of a Unitil representative for negotiation of payment plans; and (4) immediate notice

to the referring agency when a customer misses a payment plan payment, and suspension of collection activity with respect to such a customer for at least 30 days. Counseling includes Unitil training of the agencies in providing basic budget counseling to customers, the agencies providing such basic budget counseling, and Unitil providing advanced budget counseling for those customers identified by an agency as requiring such advanced budget counseling in order to successfully complete the program.

2.11.3 “Information” provided by Unitil will include with respect to each participating customer: (1) utility bill balance(s) and arrearage amounts; (2) payments due pursuant to a negotiated payment plan; (3) actual payment dates and amounts remitted for the most recent 12 payments; (4) amounts billed over most recent 12-month period of time; (5) shut-offs and/or reconnections (if any). (6) customer name, address, and account number; (7) customer rate class; (8) customer account status; and (9) customer credit status. “Information” also includes (10) delivered energy efficiency services, measured by the number of new participants in DSM programs referred pursuant to the program; (11) the amount of arrearage reduction for participating clients; (12) the level of participation in low-income discount rates, fuel assistance, and other assistance programs by program participants; and (13) baseline and current data with respect to each of the benefits enumerated in the next paragraph.

2.11.4 The costs of implementation of the pilot program in excess of the benefits will be deferred with interest and recovered over an appropriate period as will be determined in Unitil's next general distribution rate case. Benefits for the

purpose of the preceding sentence include increased customer payments and third-party payments; decreased site visits; terminations of service and reconnections; decreased collection costs, such as notices, call, and administrative costs; and decreased costs of money and uncollectables. The interest on the monthly balance of these deferrals shall be equal to the prime rate after tax (i.e., $\text{prime} * (1 - \text{tax rate})$).

2.11.5 The Parties intend that this pilot program will be fully operational by September 15, 2005, and extend for a three year period. Six months before the expiration of the pilot period, and, at the Company's option, after complete data are available for 200 participants, Until shall have produced an evaluation report to determine whether the program should be expanded, revised or terminated, and provided a copy of this report to the Parties and the Department. The Parties may make recommendations to the Department based on the evaluation and the Department will determine whether the program should be expanded, revised or terminated.

2.11.6 The Parties agree to consult with each other in connection with any public announcement regarding the pilot program.

Article 3 - Conditions

3.1 Neither the making of this Settlement nor its acceptance by the Department shall be deemed in any respect an admission by any Party that any allegation or contention in this proceeding is true or false.

3.2 Except as specifically set forth in this Settlement as necessary to accomplish the customer benefit intended by this Settlement, the Department's approval of this Settlement shall not constitute approval of, or precedent regarding any principle or issue related to this proceeding. The making of this Settlement shall not be deemed to foreclose any party from making any contention in any future proceeding or investigation.

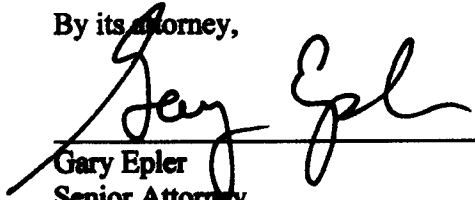
3.3 This Settlement is expressly conditioned upon the Department's approval of all provisions herein, without change or condition. The provisions of the Settlement are not severable. In the event this Settlement is not approved in its entirety by the Department within thirty (30) days of its filing, it shall be deemed to be withdrawn and shall not constitute any part of the record of this proceeding or be used for any other purpose.

3.4 This Settlement is the product of settlement negotiations. The Parties agree that the content of those negotiations (including any workpapers or documents produced in connection with the negotiations) are confidential, that all offers of settlement are without prejudice to the position of any party or participant presenting such offer or participating in such discussion, and that they will not use the content of those negotiations in any manner in these or other proceedings involving one or more of the parties to this Settlement Agreement, or otherwise.

This Settlement is entered into by the signatories listed below who represent that they are authorized on behalf of their principals to enter into this Settlement Agreement.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY d/b/a UNITIL

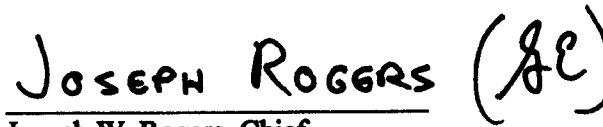
By its attorney,



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THE LOW-INCOME WEATHERIZATION AND FUEL ASSISTANCE PROGRAM
NETWORK

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Dated this 4TH day of APRIL, 2005.